



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0008	Title:	Independent staff for Board of Land Commissioners
Primary Sponsor:	Shockley, Jim	Status:	As Amended

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| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

Expenditures:

State Special Revenue	\$135,000	\$135,000	\$138,375	\$141,834
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Revenue:

State Special Revenue	\$40,000	\$107,500	\$69,187	\$141,834
Public Buildings (05)	(\$7,600)	(\$2,200)	(\$5,535)	\$0
Other Trusts (09)	(\$87,400)	(\$25,300)	(\$63,653)	\$0

Net Impact-General Fund Balance	\$0	\$0	\$0	\$0
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Description of fiscal impact:

This bill would require the Board of Land Commissioners to contract for appraisals and legal services. The board would contract with an appraiser to contract with regional appraisers to conduct the appraisals for land sales, exchanges, and purchases. The contract appraiser would also conduct the review of the contracted appraisal. Currently, the Department of Natural Resources and Conservation (DNRC) contracts with private fee appraisers for appraisal services for non-DNRC initiated land exchanges and utilizes the DNRC's legal staff for information and analysis of real estate transactions. Land exchange proponents reimburse DNRC for all appraisal related expenses.

FISCAL ANALYSIS

Assumptions:

Department of Natural Resources and Conservation (DNRC)

1. The ability to sell state trust land under the land banking statutes sunsets October 1, 2008, pursuant to 77-2-364, MCA.
2. Appraisals would have been conducted and paid for in FY 2007 on trust land sales that would occur July 1, 2008, through October 1, 2008. Therefore, no fiscal impact would result for FY 2008 – FY 2011 for land sales.

3. Land acquisitions may occur for ten years after the effective date of the last sale. Therefore, the DNRC may acquire lands with sale proceeds through FY 2018.
4. DNRC estimates proponents will request two land exchanges be processed annually.
5. The contracted service expenses have been adjusted for FY 2010 and FY 2011 by an annual 2.5% inflation factor.
6. The approximate cost of a contracted appraisal for a land exchange is \$30,000. Appraisals would be required to be performed by both a contracted appraiser and a regional appraiser. ($\$30,000 \times 2 \times 2 = \$120,000$)
7. Legal services for a land exchange are estimated at 50 hours. The estimated cost for legal services is \$150 per hour. ($50 \times \$150 = \$7,500 \times 2 = \$15,000$)
8. DNRC estimates the land exchange proponents reimbursement would be \$135,000 in FY 2008 and FY 2009, \$136,875 for FY 2010, and \$138,797 for FY 2011.
9. DNRC estimates that five thousand acres (approx. one parcel) will be acquired as replacement property in FY 2008 and FY 2009.
10. The approximate cost for appraisal services land acquisitions is \$4.00 per acre. ($5,000 \times \$4.00 = \$20,000$)
11. Legal service costs for land acquisitions are estimated at 50 hours. The estimated cost for legal services is \$150 per hour. ($50 \times \$150 = \$7,500$)
12. DNRC estimates it would initiate one land exchange in FY 2008 and 2010.
13. The approximate cost of an appraisal for a land exchange is \$30,000. Appraisals would be required to be performed by both a contracted appraiser and a regional appraiser. ($\$30,000 \times 2 = \$60,000$)
14. Legal services for a land exchange are estimated at 50 hours. The estimated cost for legal services is \$150 per hour. ($50 \times \$150 = \$7,500$)
15. DNRC estimates it would purchase one parcel in FY 2008 and FY 2009.
16. All expenditures would initially be paid from the Trust Administration Account, but would be reimbursed at a later date into the same account from private funds upon collection. The Trust Administration Account is funded by a portion of revenues generated on behalf of the trust beneficiaries. DNRC staff forecast of land exchanges and land banking acquisitions over the two biennium have an estimated net reduction to the following trusts:

	Percent	FY 2008*	FY 2009*	FY 2010*	FY 2011*
Common Schools	89%	\$84,550	\$24,475	\$61,577	\$0
MSU - 2nd Grant	2%	\$1,900	\$550	\$1,384	\$0
State Normal School	1%	\$950	\$275	\$692	\$0
Public Buildings	8%	\$7,600	\$2,200	\$5,535	\$0
Total	100%	\$95,000.00	\$27,500.00	\$69,188.00	\$0.00

*Net reduction after reimbursement to the Trust Administration Account from private funds.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$230,000	\$162,500	\$207,563	\$141,834
Transfer from TAC to trusts	(\$95,000)	(\$27,500)	(\$69,188)	\$0
TOTAL Expenditures	\$135,000	\$135,000	\$138,375	\$141,834

<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$135,000	\$135,000	\$138,375	\$141,834
TOTAL Funding of Exp.	\$135,000	\$135,000	\$138,375	\$141,834

<u>Revenues:</u>				
State Special Revenue (02)	\$135,000	\$135,000	\$138,375	\$141,834
State Normal School (09)	(\$950)	(\$275)	(\$692)	\$0
Public Buildings (05)	(\$7,600)	(\$2,200)	(\$5,535)	\$0
MSU - 2nd Grant (09)	(\$1,900)	(\$550)	(\$1,384)	\$0
ComSch Perm Fund (09)	(\$84,550)	(\$24,475)	(\$61,577)	\$0
TOTAL Revenues	\$40,000	\$107,500	\$69,187	\$141,834

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

State Special Revenue (02)	\$0	\$0	\$0	\$0
State Normal School (09)	(\$950)	(\$275)	(\$692)	\$0
Public Buildings (05)	(\$7,600)	(\$2,200)	(\$5,535)	\$0
MSU - 2nd Grant (09)	(\$1,900)	(\$550)	(\$1,384)	\$0
ComSch Perm Fund (09)	(\$84,550)	(\$24,475)	(\$61,577)	\$0

Technical Notes:

1. DNRC will need an appropriation of \$230,000 for the expenditures to be incurred in the TAC account.
2. DNRC has requested spending authority for private funds to cover the expenses of appraisal services and other costs for land exchanges in the Executive Budget for FY 2008 and FY 2009.
3. DNRC has requested additional state special revenue spending authority for appraisal services and other costs for the land banking program for FY 2008 and FY 2009.
4. DNRC initiated land exchange appraisal and legal services have been conducted by DNRC staff in the past. SB 8 requires appraisals and legal services be performed by contracted services from funding in the Trust Administration Account. After funding the FY 2008 budget, the DNRC expects to be at 96% of the cap established in 77-1-109, MCA. The additional spending authority needed for SB 8 would likely exceed the cap on the Trust Administration Account funding source.
5. ARM 36.25.811 would need to be amended in order to deposit reimbursements into the Trust Administration Account as opposed to the Land Banking Fund.

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date